



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.bpu.state.nj.us](http://www.bpu.state.nj.us)**

WATER AND WASTEWATER

IN THE MATTER OF THE PETITION OF THE)	ORDER ADOPTING INITIAL DECISION/
ATLANTIC CITY SEWERAGE COMPANY )	SETTLEMENT
FOR APPROVAL OF INCREASED TARIFF )	
RATES AND CHARGES FOR SEWERAGE )	BPU DOCKET NO. WR04091064
SERVICE )	OAL DOCKET NO. 8974-04
IN THE MATTER OF THE PETITION OF THE)	
ATLANTIC CITY SEWERAGE COMPANY TO)	
CHANGE THE LEVEL OF ITS PURCHASED )	
SEWERAGE TREATMENT ADJUSTMENT )	BPU DOCKET NO. WR04091063
CLAUSE )	OAL DOCKET NO. 8973-04
IN THE MATTER OF THE PETITION OF THE)	
ATLANTIC CITY SEWERAGE COMPANY )	
FOR AUTHORIZATION TO DISTRIBUTE )	
CERTAIN CONDEMNATION AND RENTAL )	BPU DOCKET NO. WM04050336
FUNDS )	

(SERVICE LIST ATTACHED)

BY THE BOARD:

On September 24, 2004, Atlantic City Sewerage Company (ACSC or Company), a public utility of the State of New Jersey, subject to the jurisdiction of the Board of Public Utilities (Board) filed a petition pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12 requesting to increase its base rates for wastewater service (Base Rate case).

On September 24, 2004, pursuant to N.J.A.C. 14:9-81, et seq. the Company filed a petition requesting to change the level of its Purchased Sewerage Treatment Adjustment Clause (PSTAC).

Separate and apart from the Company's Base Rate case and the PSTAC proceedings, ACSC also filed a petition with the Board on May 10, 2004, for authorization to distribute certain condemnation and rental funds associated with certain real property previously owned by ACSC on Huron Avenue (Property Proceeding) (BPU Docket No. WM04050336).

The Base Rate case and the PSTAC petition were transferred to the Office of Administrative Law (OAL) as contested matters. The Property Proceeding was retained by the Board.

ACSC operates a sewage collection and transmission system and serves approximately 7,300 customers within the City of Atlantic City, Atlantic County, New Jersey. ACSC does not treat any of the sewage it collects. Instead, all of the sewerage collected by ACSC is transmitted to and then treated by the Atlantic County Utilities Authority (ACUA).

ACSC does not meter sewerage flows. ACSC bills its customers on the basis of water entering a customer's premise. ACSC is furnished data regarding water entering a customer's premise by the Atlantic City Municipal Utilities Authority (ACMUA), the entity providing water within the City of Atlantic City. Each year, ACSC bills its customers based on water consumption during the prior year.

The Company's proposed rate requests would have resulted in an increase in total Company revenues of \$2,224,556 representing a 14.80% increase over test year revenues ending December 31, 2004, for the Base Rate proceeding. The PSTAC proposal by the Company would have increased total revenue by \$589,635 representing a 3.92% increase.

After extensive settlement discussions among the Company, the Ratepayer Advocate (RPA) and Board Staff (Staff) (collectively, the Parties), an increase of \$1,400,000 representing a 9.30% increase over current rates, was agreed to by the Parties (the Stipulation or Settlement). This increase takes into account both the Base Rate proceeding and the PSTAC. Therefore, the \$1,400,000 is a net increase. As hereinafter discussed, this settlement is approved by this Order.

The Settlement also incorporates a distribution of funds with respect to the Property Proceeding resulting in a credit to each customer's bill. The credit will appear on the next two billings to customers. The credit for the first billing cycle will be \$60.00. The credit for the second billing cycle (January 2006) will be \$59.27 plus interest.

#### PROCEDURAL HISTORY

Both the PSTAC petition and the Base Rate proceedings were transmitted to the OAL and were assigned to Administrative Law Judge (ALJ) William Todd Miller.

A public hearing on both the PSTAC petition and the Base Rate proceeding was held in Atlantic City on December 10, 2004. One member of the public attended the hearing and raised the issue of anticipated revenues from the sale of energy generated from windmills proposed for construction by the ACUA and whether any of these anticipated revenues would flow to ACUA customers thereby offsetting future increased ACUA costs.

Subsequent to the public hearing, the Parties engaged in numerous in-person and telephonic discussions before reaching a settlement of all issues pertaining to the PSTAC and Base Rate case.

On February 14, 2005, ALJ Miller issued his Initial Decision recommending adoption of the Stipulation executed by the Parties, finding that the Parties had voluntarily agreed to the Settlement and that the Settlement fully disposes of all issues presented to him Base Rate Proceeding and PSTAC Proceedings) and is consistent with the law.

### PROPERTY PROCEEDING

The Company owns certain real property located on Huron Avenue, Atlantic City, New Jersey (Huron Avenue Property). Prior to February 1988, the Huron Avenue Property had been the subject of litigation in proceedings before the Board.

On February 26, 1988, the Board issued an Order in Docket Nos. WM87101283 and WM87030210 which, inter alia, adopted a Memorandum of Understanding (1988 MOU) executed by the parties to that proceeding. The 1988 MOU addressed the eventual disposition of the Huron Avenue Property including the distribution of the proceeds from the sale of the Huron Avenue Property, which were to be split 50/50 between ACSC's ratepayers and ACSC's shareholders.

In mid-1997, the South Jersey Transportation Authority (SJTA) sought to construct its Huron Avenue U-Turn Project (U-Turn Project) that consisted of a ramp over a portion of the Huron Avenue Property (U-Turn Parcel). SJTA informed ACSC that in accordance with the Eminent Domain Act N.J.S.A. 20:3-1 et seq., SJTA intended to acquire the U-Turn Parcel.

SJTA subsequently initiated condemnation proceedings in the Superior Court of New Jersey, Atlantic County, Law Division (ATL-L-2944-03) and paid an initial amount of \$1,845,000 to ACSC.

On March 1, 2004, the Commissioners, appointed by the Superior Court of New Jersey Atlantic County – Law Division in the condemnation proceedings, issued a report stating that the amount to be paid by SJTA should be \$2,588,049.40 and not the initial amount of \$1,845,000. Settlement negotiations between SJTA and ACSC resulted in the execution of a Consent Order for Final Judgment. By virtue of a Final Judgment on July 14, 2004, SJTA agreed to pay ACSC an additional \$930,000 over and above the initial condemnation proceedings of \$1,845,000 for a total of \$2,775,000.

In early Fall 2002, SJTA, without authorization, entered upon the U-Turn Parcel to begin construction of the U-Turn Project. When ACSC discovered that the SJTA had entered upon ACSC's property, ACSC advised SJTA that SJTA would be required to compensate ACSC, in the form of rental payments, for the use of the U-Turn Parcel during construction.

A Right of Entry Agreement was reached by SJTA and ACSC in advance of SJTA's acquisition and payment of compensation for purposes of commencing construction of the U-Turn Project. The Right of Entry Agreement was approved by the Board in its Decision and Order in Docket No. WE03040331 dated October 20, 2003.

In this instant Docket No. WM04050336, ACSC seeks to distribute the condemnation proceeds along with the rental payments with interest, minus expenses as delineated in the Board's Order dated October 20, 2003 (Docket No. WE03040331). The total proceeds, which include interest and the Right of Entry Agreement (rental payments) from the Huron Avenue property is \$2,895,903.10 (Exhibit A attached to the Stipulation of Settlement).

This amount was reduced for legal fees of \$232,576.45 plus court reporting services, an appraisal, and the original cost of the Property, totaling \$26,096. The net amount of the proceeds is therefore \$2,637,230.15. Total proceeds after federal income taxes at 34% are \$1,740,571.90. The Company's customer share of the \$1,740,571.90 equals 50% or \$870,285.95 (Exhibit A attached to the Stipulation of Settlement).

As of December 31, 2004, ACSC had 7,297 customers. ACSC proposes to make a credit on each customer's bill for the next two billing cycles. A \$60.00 credit will be reflected for the July 2005 billing cycle and a \$59.27 plus interest will be reflected for the January 2006 billing cycle. The total per customer bill credit will be \$119.27 plus interest.

### SETTLEMENT

The Settlement discussed herein addresses the Base Rate Proceeding and PSTAC as set forth in ALJ Miller's Initial Decision and the Property Proceeding.

As more fully set forth in the attached Stipulation<sup>1</sup>, the Parties agreed to the following:

#### Base Rate Proceeding

1. The test year is the twelve (12) months ending December 31, 2004, adjusted for known and measurable changes (Settlement Paragraph 20).
2. A revenue requirement increase of \$816,726 which represents a 5.43% increase above total current revenues of \$15,051,761 (Settlement Paragraph 20).
3. The capital structure is comprised of 46.10% debt and 53.90% equity with a 9.75 return on common equity, yielding an overall rate of return of 7.57% (Settlement Paragraph 20).
4. A rate base of \$22,565,715 (Settlement Paragraph 20).

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<sup>1</sup> Cited paragraphs references are in the settlement document. This is only a summary, the full settlement documents controls, subject to the Board's findings and conclusions contained herein.

## PSTAC Proceeding

5. The ACUA 2005 budget amount of \$7,654,063 will be increased by \$197,584 to reflect 2004 actuals. The amount to be recovered through the PSTAC is \$7,851,647. This amount has been adjusted to reflect the projected regulatory costs of the PSTAC proceeding of \$3,872, after accounting for 50/50 sharing between ratepayers and shareholders as well as a \$5 adjustment in 2004, and a year 2004 under-collection of \$131,338 to reflect a total amount to be recovered through the PSTAC of \$7,979,118. When the \$7,979,118 is divided by the projected 2005 flows of 461,451 thousand cubic feet (Mcf), the resulting PSTAC rate, prior to compression is \$17.291 per Mcf. The stipulated revenue increase is \$583,274 or 3.88% (Settlement Paragraph 16).
6. The Volumetric Treatment Charge of \$17.291 assumes an implementation date of January 1, 2005. Providing that the Board Order is effective as of February 23, 2005, the PSTAC will be recovered over 312 days rather than 365 days. As a result, the 2005 PSTAC will be compressed to a charge of \$17.465 per Mcf from the current PSTAC charge of \$16.265 per Mcf as portrayed in Exhibit B. This represents an increase of \$1.200 per Mcf or 7.38%. If the Board should act on this matter after February 23, 2005, the charge may, if deemed necessary by the Parties, be further compressed in order to recover the appropriate amount (Settlement Paragraph 17).
7. ACSC shall account for the net cumulative over-recoveries and under-recoveries resulting from the PSTAC. These over/under-recoveries will be charged or credited to the PSTAC in subsequent PSTAC proceedings. The net monthly cumulative over/under-recoveries shall be calculated for each month, utilizing an average balance for each month. Interest in net cumulative monthly over-recoveries shall be credited to the PSTAC at an interest rate equal to the return on rate base of 8.67% established in ACSC's last base rate proceeding in BPU Docket No. WR00080575, pursuant to N.J.A.C. 14:9-8.3 (c) and N.J.A.C. 14:3-13.3 and will remain applicable until the Board approves this Stipulation and a new return on rate base of 7.57%. Similarly, interest on net monthly under-recoveries shall be charged against the PSTAC. As a result of this Stipulation, the return on rate base utilized in these proceedings shall become the interest rate on net monthly cumulative over-recoveries or under-recoveries, on a prospective basis. If, as of December 31, 2005, interest shall be due the PSTAC, such interest shall be in fact credited to the PSTAC. If, as of December 31, 2005, interest shall be chargeable against the PSTAC, said interest shall be eliminated through appropriate accounting entries (Settlement Paragraph 18).

## Combined Impacts of Base Rate Proceeding and PSTAC

8. The stipulated rates will produce an overall revenue increase of \$1,400,000 including the PSTAC revenues. The tariff sheets attached to the Stipulation produce the stipulated pro forma annual operating revenues. The tariff sheets also reflect revisions to the customer rights portion of the tariff to be consistent with Board policy.

9. The Parties to this Stipulation recommend that the Board should accept these tariff sheets making them effective as of February 23, 2005, or as soon thereafter (Settlement Paragraph 21).
10. After giving the effect to the annualized rate increase through the PSTAC proceeding and the rate increase through the Base Rate Proceeding, the overall revenues of \$1,400,000 of 9.30% are the level sufficient to allow the Company to continue to provide safe, adequate and proper service to its customers (Settlement Paragraph 22).

#### Property Proceeding

11. The total proceeds from the Huron Avenue Property are \$2,895,903.10 (Settlement Paragraph 37).
12. The total distribution to be paid to ratepayers and shareholders, after the effects of legal fees and expenses, and Federal Income Tax at 34% is \$1,740,571.90 (Settlement Paragraph 37).
13. The ratepayer's share of the \$1,740,571.90 is 50% or \$870,285.95 (Settlement Paragraph 38).
14. As of December 31, 2004, ACSC had approximately 7,297 customers (Settlement Paragraph 39).
15. ACSC will credit each customer's bill over the next two billing cycles, after a Board Order accepting this Stipulation, in the amount of \$60.00 for the next billing cycle and \$59.27 plus interest in the next subsequent billing cycle (Settlement Paragraph 40).

#### DISCUSSIONS AND FINDINGS

As a result of the Stipulation, a residential customer with a 5/8" meter using 80,000 gallons of water per year, will see their wastewater bill increase from \$376.19 per year to \$410.26 per year, an increase of \$34.07 per year (\$17.04 semi-annually), which is a 9.06% increase as a result of the Base Rate Proceeding and PSTAC.

The Parties have calculated a per customer refund related to the Property Proceeding in the amount of \$119.27 plus interest. The Board FINDS this calculation to be consistent with prior Board Orders and thus, ORDERS that ACSC shall return \$60.00 to each billed account as a bill credit in the customer's next billing cycle and \$59.27 plus interest, through to the next subsequent billing cycle (January 2006). The first bill credit must appear on the customer's next bill after the date of this Order.

The Board, having reviewed the ALJ's Initial Decision, the Stipulation of the Parties, the Property Proceeding, and the record in these matters, HEREBY FINDS that the Stipulation, the Property Proceeding and Initial Decision are reasonable, in the public interest and in accordance with the law.

The Board, HEREBY ADOPTS the Stipulation and Initial Decision of the ALJ as its own, as if fully set forth herein. The Board HEREBY ACCEPTS the tariff pages attached to the Stipulation, as consistent with the terms of the Stipulation, subject to the following:

Base Rate Proceeding

- a. The test year shall be the twelve (12) months ending December 31, 2004, adjusted for known and measurable changes.
- b. The revenue requirement increase shall be \$ 816,726 which represents a 5.43% increase above total current revenues of \$15,051,761.
- c. The capital structure shall be comprised of 46.10% debt and 53.90% equity with a 9.75 return on common equity, yielding an overall rate of return of 7.57%.
- d. Rate base shall be set at \$22,565,715.

PSTAC Proceeding

- e. The ACUA 2005 budget amount of \$7,654,063 shall be increased by \$197,584 to reflect 2004 actuals. The amount to be recovered through the PSTAC shall be \$7,851,647. This amount shall be adjusted to reflect the projected regulatory costs of the PSTAC proceeding of \$3,872, after accounting for 50/50 sharing between ratepayers and shareholders as well as a \$5 adjustment in 2004 and a year 2004 under-collection of \$131,338 to reflect a total amount to be recovered through the PSTAC of \$7,979,118. When the \$7,979,118 is divided by the projected 2005 flows of 461,451 Mcf, the resulting PSTAC rate, prior to compression shall be \$17.291 per Mcf. The total PSTAC revenues shall be \$583,274 (3.88%).
- f. The 2005 PSTAC shall be compressed to a charge of \$17.465 per Mcf from the current PSTAC charge of \$16.265 per Mcf as portrayed in Exhibit B. This represents an increase of \$1.200 per Mcf (7.38%).
- g. ACSC shall account for the net cumulative over-recoveries and under-recoveries resulting from the PSTAC. These over/under-recoveries shall be charged or credited to the PSTAC in subsequent PSTAC proceedings. The net monthly cumulative over/under-recoveries shall be calculated for each month, utilizing an average balance for each month. Interest in net cumulative monthly over-recoveries shall be credited to the PSTAC at an interest rate equal to the return on rate base of 8.67% established in ACSC's last base rate proceeding in BPU Docket No. WR00080575, pursuant to N.J.A.C. 14:9-8.3 (c) and N.J.A.C. 14:3-13.3 and will remain applicable until the Board approves this Stipulation and a new return on rate base of 7.57%.

Similarly, interest on net monthly under-recoveries shall be charged against the PSTAC. As a result of this Stipulation, the return on rate base utilized in these proceedings shall become the interest rate on net monthly cumulative over-recoveries or under-recoveries, on a prospective basis. If, as of December 31, 2005, interest shall be due the PSTAC, such interest shall be in fact credited to the PSTAC. If, as of December 31, 2005, interest shall be chargeable against the PSTAC, said interest shall be eliminated through appropriate accounting entries.

#### Combined Impacts of Base Rate Proceeding and PSTAC

- h. The stipulated rates shall produce an overall revenue increase of \$1,400,000 including the PSTAC revenues. The tariff sheets attached to the Stipulation shall produce the stipulated pro forma annual operating revenues. The tariff shall account for the revisions to the customer rights portion of the tariff to ensure consistency with Board policy.
- i. The overall revenues of \$1,400,000 of 9.30% shall be the level sufficient to allow the Company to continue to provide safe, adequate and proper service to its customers.

#### Property Proceeding

- j. The total proceeds from the Huron Avenue Property shall be \$2,895,903.10.
- k. The total distribution to be paid to ratepayers and shareholders, after the effects of legal fees and expenses, and Federal Tax at 34% shall be \$1,740,571.90.
- l. The ratepayer's share of the \$1,740,571.90 shall be 50% or \$870,285.95.
- m. Total customers to be credited as of December 31, 2004 shall be 7,297.
- n. ACSC shall credit each customer's bill in the next billing cycle after an Order accepting this Stipulation in the amount of \$60.00 and in the next subsequent billing cycle \$59.27 plus interest through to the subsequent billing cycle (January 2006).

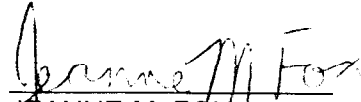


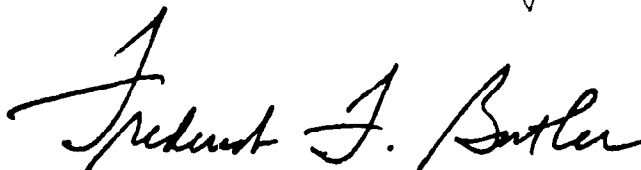
ACSC shall file with the Board a complete revised tariff within (15) as of the effective date of this Order.


The effective date of this Order is as dated below.

DATED: 2/23/05

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

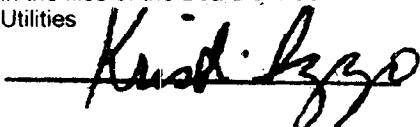
  
CONNIE O. HUGHES  
COMMISSIONER

  
JACK ALTER  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public  
Utilities



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BPU Docket Nos. WM04050336,  
WR04091063 and WR04091064;  
OAL Docket Nos. 8973-04 and 8974-04

I/MO the Atlantic City Sewerage Company for Approval of Increased  
Tariff Rates and Charges for Sewerage Service BPU Docket No. WR04091064 and;

I/M/O the Atlantic City Sewerage Company to Change the Level of its Purchased  
Sewerage Treatment Adjustment Clause BPU Docket No. WR04091063 and;

I/M/O the Atlantic City Sewerage Company for Authorization to Distribute Certain  
Condemnation and Rental Funds BPU Docket No. WM04050336

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Georgetown, CT 06829



*State of New Jersey*  
OFFICE OF ADMINISTRATIVE LAW

**UNOFFICIAL COPY**

**INITIAL DECISION**  
**SETTLEMENT**

**IN THE MATTER OF THE PETITION  
OF ATLANTIC CITY SEWERAGE  
COMPANY TO CHANGE THE LEVEL  
OF ITS PURCHASED SEWERAGE  
TREATMENT ADJUSTMENT CLAUSE,**

Petitioner,

AND

**IN THE MATTER OF THE PETITION  
OF ATLANTIC CITY SEWERAGE  
COMPANY FOR APPROVAL OF  
INCREASED TARIFF RATES AND  
CHARGES FOR SEWERAGE SERVICE,**

Petitioner.

OAL DKT. NO. PUC 8973-04  
AGENCY DKT. NO. WR04091063

OAL DKT. NO. PUC 8974-04  
AGENCY DKT. NO. WR04091064  
(CONSOLIDATED)

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**Ira G. Megdal, Esq.,** for petitioner, Atlantic City Sewerage Company (Cozen O'Connor, attorneys)

**Susan E. McClure,** Assistant Deputy Ratepayer Advocate, for Division of the Ratepayer Advocate

**Alex Moreau and Jeff Slutzky,** Deputy Attorneys General, for Board of Public Utilities  
(Peter C. Harvey, Attorney General of New Jersey, attorney)

Record Closed: February 10, 2005

Decided: February 14, 2005

**BEFORE W. TODD MILLER, ALJ:**

These matters were transmitted to the Office of Administrative Law on November 3, 2004, for determination as contested cases, pursuant to *N.J.S.A.* 52:14B-1 to -15 and *N.J.S.A.* 52:14F-1 to -13.

The parties have agreed to a settlement and have prepared a Stipulation<sup>1</sup> indicating the terms thereof, which is attached and fully incorporated herein.

I have reviewed the record and the terms of settlement and I **FIND**:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

I **CONCLUDE** that this agreement meets the requirements of *N.J.A.C.* 1:1-19.1 and that the settlement should be approved. I approve the settlement and therefore **ORDER** that the parties comply with the settlement terms and that these proceedings be concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

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<sup>1</sup> The Stipulation filed herein includes a matter captioned *In the Matter of the Petition of the Atlantic City Sewerage Company for Authorization to Distribute Certain Condemnation and Rental Funds*, bearing BPU Docket No. WM04050336. This matter has not been transmitted to the OAL as a contested case as of the date of this Initial Decision Settlement.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with *N.J.S.A. 52:14B-10*.

2-14-05  
DATE

W. Todd Miller  
W. TODD MILLER, ALJ

Receipt Acknowledged:

\_\_\_\_\_  
DATE

\_\_\_\_\_  
BOARD OF PUBLIC UTILITIES

Mailed to Parties:

\_\_\_\_\_  
DATE

\_\_\_\_\_  
OFFICE OF ADMINISTRATIVE LAW

sd

IN THE MATTER OF THE PETITION OF :  
THE ATLANTIC CITY SEWERAGE : **BPU DOCKET NO. WR04091064**  
COMPANY FOR APPROVAL OF :  
INCREASED TARIFF RATES AND : **OAL DOCKET NO. 8974-04**  
CHARGES FOR SEWERAGE SERVICE :

IN THE MATTER OF THE PETITION OF :  
THE ATLANTIC CITY SEWERAGE : **BPU DOCKET NO. WR04091063**  
COMPANY TO CHANGE THE LEVEL :  
OF ITS PURCHASED SEWERAGE : **OAL DOCKET NO. 8973-04**  
TREATMENT ADJUSTMENT CLAUSE :

APPEARANCES:

Susan E. McClure, Esquire, Assistant Deputy Ratepayer Advocate, Christine M. Juarez,  
Assistant Deputy Ratepayer Advocate (Seema M. Singh, Ratepayer Advocate)  
Division of the Ratepayer Advocate

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

1. The Atlantic City Sewerage Company (“ACSC”, the “Company”, or “Petitioner”)

a public utility company of the State of New Jersey, operates a sewage collection and transmission system within its defined service territory, consisting of the City of Atlantic City, New Jersey. Within its service territory, Petitioner serves approximately 7,300 customers. Petitioner purchases its sewage treatment from the Atlantic County Utilities Authority (“ACUA”).

2. On September 24, 2004, the Company filed its Petition proposing to change the level of its Purchased Sewerage Treatment Adjustment Clause (“PSTAC”) (hereinafter, the “PSTAC Proceeding”) with the Board of Public Utilities (“BPU” or the “Board”). The matter was transmitted by the Board to the Office of Administrative Law (“OAL”) for hearing as a contested case and was assigned to the Honorable William Todd Miller, Administrative Law Judge. The OAL issued a Notice of Filing in the PSTAC Proceeding on November 10, 2004. The PSTAC Proceeding was assigned Docket No. WR04091063 by the Board and Docket No. 8973-04 by the OAL.

3. Simultaneously therewith, on September 24, 2004, Petitioner filed a Petition with the Board, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, for approval of an increase in its base tariff rates (the Volumetric Collection Charge and the Fixed Rate Charge) (hereinafter, the “Base Rate Proceeding”). Petitioner proposed that the rate schedules and tariff revisions would be effective as of November 1, 2004.

4. The Base Rate Proceeding was transmitted to the OAL for hearing as a contested case, and was also assigned to the Honorable Judge William Todd Miller. The OAL issued a Notice of Filing in the Base Rate Proceeding on November 10, 2004. The Base Rate Proceeding was assigned Docket No. WR04091064 by the Board and Docket No. 8974-04 by the OAL.

5. After appropriate public notice, a public hearing in the PSTAC Proceeding and

Base Rate Proceeding was held in Atlantic City, New Jersey on December 10, 2004, presided over by Board Legal Specialist, Joseph Quirolo. One member of the public in attendance raised the issue of anticipated revenues from the sale of energy generated from windmills proposed for construction by the ACUA and whether any of these anticipated revenues will flow to ACUA customers through offsetting future increased ACUA costs. Robert Fitzgerald, President and General Manager of ACSC, responded, noting that he discussed the issue with ACUA representatives and that they represented that there will be a pass-through of savings associated with the revenues from the windmills but that the windmills will not be in service before the end of 2005.

6. Previously, and separate and apart from the PSTAC and Base Rate Proceeding, on May 3, 2004, ACSC filed a Petition with the Board (BPU Docket No. WM04050336) requesting authorization to distribute condemnation and rental funds associated with certain real property previously owned by ACSC on Huron Avenue (the "Distribution Proceeding").

7. As will be demonstrated in more detail hereafter, the Company is working with the Board and the Division of the Rate Payer Advocate ("RPA") to distribute approximately \$870,000 of land sale proceeds back to its customers in the form of a credit distribution of approximately \$119.27 per customer. The total proceeds will be distributed, as set forth in Exhibit "A", in two bill credits; \$60.00 in July 2005 and the remaining \$59.27, plus interest thereon, in January 2006. Pursuant to this Stipulation, the proposed Rate Increase to the average residential customer using 10.7 Mcf during 2005 is only \$34.07. The total credit of \$119.27 will more than compensate for the proposed rate increase.

8. The Distribution Proceeding was retained by the Board and not transmitted to the OAL. For this reason, it is not the intent of the Parties to obtain the OAL's approval of the



Distribution Proceeding provisions of this Stipulation. Rather, if the OAL so approves this Stipulation, such approval will be applicable solely to the PSTAC Proceeding and Base Rate Proceeding provisions.

9. The parties to the PSTAC Proceeding, Base Rate Proceeding, and Distribution Proceeding include the Staff of the Board, the Company, and the RPA (hereafter, the "Parties"). Discovery was propounded by the Staff and the RPA in all three proceedings and answered in full by the Company.

10. In addition to discovery, the Parties have also engaged in settlement discussions. As a result of these discussions, the Parties to this Stipulation agree to a resolution of all issues which arose in the PSTAC Proceeding, Base Rate Proceeding, and the Distribution Proceeding, and hereto stipulate as follows:

## **II. PSTAC PROCEEDING**

11. ACSC does not treat any sewage. Rather, ACSC is solely engaged in the collection and transmission of sewage within the City of Atlantic City. All of the sewage collected and transmitted by ACSC is treated by the ACUA.

12. In addition, ACSC does not meter sewage flows. Rather, ACSC bills its customers on the basis of water entering its customers' premises. ACSC is furnished data regarding water entering its customers' premises by the Atlantic City Municipal Utilities Authority ("ACMUA"), the entity purveying water within the City of Atlantic City. Each year, ACSC bills its customers (other than certain large volume customers) based on water consumption during the prior year.

13. The Petition filed in the PSTAC Proceeding was based upon projected consumption by customers for the billing cycles of January 1, 2005 through December 31, 2005,

based upon actual 2004 consumption.

14. Petitioner's PSTAC rate is implemented through the use of its Volumetric Treatment Charge. In the PSTAC Proceeding Petition, Petitioner sought to increase its Volumetric Treatment Charge from its current level of 16.265 per Mcf of metered water, to a rate of 17.346 per Mcf of metered water, prior to compression. The initial filing was based on estimates, preliminary in nature, and was updated as the case progressed.

15. In December of 2004, the ACUA introduced a 2005 budget which represented an increase in the amount of budget allocated to ACSC from the ACUA's prior year's budget rate. For 2005, ACSC is being allocated \$7,654,063 of ACUA's costs. In addition, ACSC will be charged \$197,584 relating to 2004 flows. Therefore, the net amount of ACUA's costs allocated to ACSC in 2005 will be \$7,851,647. In 2004, ACSC was allocated \$7,205,548 of ACUA's costs. In addition, ACSC was credited \$315,991 related to 2003 flows. Therefore, the net amount of ACUA's costs allocated to ACSC in 2004 was \$6,889,557. Accordingly, the net 2005 ACUA costs to ACSC represent an increase of \$962,090 or 13.96% from the net 2004 ACUA costs.

16. After adjusting the ACUA 2005 budget amount of \$7,654,063 by an increase of \$197,584 to reflect the charge from the ACUA for the year 2004, the amount to be recovered through the PSTAC is \$7,851,647. This amount has been further adjusted by the projected costs (after true-up for the costs of last year's proceeding) of the PSTAC Proceeding of \$3,872 of PSTAC expenses, after accounting for 50/50 sharing between shareholders and ratepayers; as well as a \$5 adjustment in 2004 and a year 2004 under-collection of \$131,338 to reflect a total amount to be recovered through the PSTAC of \$7,979,118. This is the amount to be recovered in 2005 through the Volumetric Treatment Charge, which is the rate through which the PSTAC

is affected. When this amount is divided by the projected 2005 flows of 461,451 Mcf, the resulting PSTAC rate, prior to compression is \$17.291 per Mcf. Therefore, based upon the foregoing, the Parties hereto stipulate in the PSTAC Proceeding to a PSTAC revenue increase of \$583,274.

17. The Volumetric Treatment Charge of \$17.291 assumes an implementation date of January 1, 2005. If a Board Order is effective as of February 23, 2005, it means that the 2005 PSTAC will only be recovered over 312, rather than 365 days. As a result, the PSTAC charge for 2005 will be compressed to a charge of \$17.465 per Mcf from the current PSTAC charge of \$16.265 per Mcf as portrayed in Exhibit "B". This represents an increase of \$1.200 per Mcf. If the Board should act on this matter after February 23, 2005, the charge may, if deemed necessary by the parties, be further compressed in order to recover the appropriate amount.

18. ACSC shall account for net cumulative over-recoveries and under-recoveries resulting from the PSTAC. These over-recoveries or under-recoveries will be charged or credited to the PSTAC in subsequent PSTAC proceedings. The net monthly cumulative over-recoveries and under-recoveries shall be calculated for each month, utilizing an average balance for each month. Interest on net cumulative monthly over-recoveries shall be credited to the PSTAC at an interest rate equal to the return on rate base of 8.67%, established in ACSC's last base rate proceeding, BPU Docket No. WR00080575, pursuant to N.J.A.C. 14:9-8.3(c) and N.J.A.C. 14:3-13.3 and will remain applicable until the Board approves this Stipulation and new return on rate base of 7.57%. Similarly, interest on net monthly under-recoveries shall be charged against the PSTAC. As a result of this Stipulation, the return on rate base utilized in these proceedings shall become the interest rate on net monthly cumulative over-recoveries or under-recoveries, on a prospective basis. If, as of December 31, 2005, interest shall be due the

PSTAC, such interest shall in fact be credited to the PSTAC. If, as of December 31, 2005, interest shall be chargeable against the PSTAC, said interest shall be eliminated through appropriate accounting entries.

### **III. BASE RATE PROCEEDING**

19. By the Petition filed in this Base Rate Proceeding, ACSC sought authorization to increase its rates to produce total proforma operating revenues of \$17,276,317. Based upon Petitioner's books and prospective operating revenues for the twelve month period ending December 31, 2004, the rates proposed in the Petition were designed to yield additional proforma operating revenues of \$2,224,556 or 14.8%.

20. Relative to the Base Rate Proceeding, the Parties agree that the twelve (12) months ending December 31, 2004, adjusted for known and measurable changes, constitutes the appropriate Test Year for use in this proceeding. The Parties hereto stipulate in the Base Rate Proceeding to a base rate increase of \$816,726. The stipulated capital structure of the Company, as demonstrated in Exhibit "C", is comprised of 46.1% debt and 53.9% equity. The Parties hereto further stipulate to a rate base of \$22,565,715 and that rates in this proceeding have been designed to yield an annual return to ACSC of 9.75% on common equity and an overall return of 7.57% on rate base.

21. Attached hereto as Exhibit "C" is a Schedule of Stipulated Rate Relief, demonstrating that the stipulated rates will produce a total revenue increase of \$1,400,000 (including the Base Rate and PSTAC revenues). Also attached to this Stipulation, as Exhibit "D", are the Tariff sheets necessary to produce the stipulated proforma annual operating revenues. The Tariff will reflect revisions to the customer rights portion of the Tariff consistent with Board policy. The Parties to this Stipulation agree that the tariff sheets constituting Exhibit

“D” should replace and substitute for the existing Tariff sheets. The Parties to this Stipulation agree further that the tariff sheets constituting Exhibit “D” should be accepted by the Board, and made effective as of February 23, 2005, or as soon thereafter as the Board may act.

22. After giving effect to the annualized rate increase through the PSTAC Proceeding and the rate increase through the Base Rate Proceeding, the result is a net increase in overall revenues in the amount of \$1,400,000, which represents a 9.3% increase above total current revenues of \$15,051,761. This is the level sufficient to allow the Company to continue to provide safe, adequate and proper service to its customers.

23. Under the terms of this Stipulation, the actual impact on customers will depend upon the meter size utilized by the customers. Attached hereto as Exhibit “E” is a schedule demonstrating the net effect of this Stipulation on each of ACSC’s customer classes.

#### **IV. DISTRIBUTION PROCEEDING**

##### **A. Background to the Stipulated Distribution of Proceeds**

24. The Company owned certain real property located on Huron Avenue in Atlantic City, New Jersey (“Huron Avenue Property”). Prior to February of 1988, the Huron Avenue Property and ACSC’s disposition of it had been the subject of litigation in proceedings held before the Board.

25. On February 26, 1988, the Board issued an Order in Docket Nos. WM87101283 and WM87030210 which, inter alia, had the effect of adopting a Memorandum of Understanding which addressed ACSC’s eventual disposition of the Huron Avenue Property (hereafter the “1988 MOU”).

26. Pursuant to the 1988 MOU, sale proceeds (less expenses) are to be split 50/50 between ACSC’s ratepayers and ACSC’s shareholders.

27. A few years ago, the South Jersey Transportation Authority ("SJTA") sought to construct its "Huron Avenue U-turn Project" ("U-Turn Project") that consisted of, inter alia, a ramp over a portion of the Huron Avenue Property (hereinafter referred to as the "U-Turn Parcel").

28. SJTA informed ACSC that, in accordance with Eminent Domain Act, N.J.S.A. 20:1, SJTA intended to acquire the U-Turn Parcel that consists of .97 acres or 42,253 square feet, along with a temporary easement over .425 acres, or 18,513 square feet of the U-Turn Parcel.

29. SJTA subsequently initiated condemnation proceedings in the Superior Court of New Jersey, Atlantic County, Law Division (Docket No. ATL-L-2944-03) and paid an initial amount of \$1,845,000 to ACSC.

30. On March 1, 2004, the Commissioners appointed by the Court in the condemnation proceedings issued a report stating that the amount to be paid by SJTA should be \$2,588,049.40, not \$1,845,000.

31. Thereafter, SJTA and ACSC entered into settlement negotiations which resulted in the execution of a Consent Order for Final Judgment on July 14, 2004. By virtue of the Judgment, SJTA agreed to pay to ACSC an additional Nine Hundred Thirty Thousand Dollars (\$930,000.00) over and above the initial condemnation proceeds of \$1,845,000.00, for a total of \$2,775,000.

32. ACSC now seeks to distribute the entire \$2,775,000 along with the below-discussed rental payments (plus interest and minus expenses) as a credit to customer bills.

33. In early Fall 2002, SJTA, without authorization, entered upon the U-Turn Parcel to begin construction of the U-Turn Project. When ACSC discovered that the SJTA had entered upon ACSC property, ACSC advised SJTA that SJTA would be required to compensate ACSC,

in the form of rental payments, for the use of the U-Turn Parcel during construction.

34. SJTA and ACSC reached a Right of Entry Agreement that allowed SJTA to enter onto the U-Turn Parcel in advance of its acquisition and payment of compensation for purposes of commencing construction of the U-Turn Project. The Right of Entry Agreement was approved by the Board in its Decision and Order in Docket No. WE03040331. A copy of the Right of Entry Agreement is attached to this Petition as Exhibit "F".

35. Pursuant to Section 1(e) of the Right of Entry, SJTA was to pay ACSC for the use of the U-Turn Parcel as follows: the sum of \$945 per day commencing on September 16, 2002 until the date of settlement on all issues relating to compensation for the proposed acquisition or the date of the commencement of Eminent Domain proceedings. SJTA paid ACSC rent of \$945 per day from September 16, 2002 to December 31, 2002; for a total of \$101,115.

36. ACSC now seeks to distribute these rental payments, along with the above-discussed condemnation proceeds (plus interest and minus expenses) as detailed below.

#### **B. Stipulated Method of Distribution**

37. As referenced above, attached to this Stipulation as Exhibit "A" is a schedule demonstrating the proposed method of distribution. It demonstrates that the total proceeds from the Huron Avenue property is \$2,895,903.10. This amount was reduced for fees and expenses paid to McKirdy & Riskin in the amount of \$232,576.45. This left a net amount of \$2,663,326.65 from which estimated legal fees as well as actual costs for court reporting services, an appraisal, and the original cost of the Property, totaling \$26,096 were deducted. This left an amount remaining from the total proceeds of \$2,637,230.15. To this amount Federal income tax at 34% was applied totaling \$896,658.25. This left for distribution a remainder from the total proceeds of \$1,740,571.90.

38. The customers' share of the \$1,740,571.90 equals 50% or \$870,285.95.
39. As of December 31, 2004, ACSC had approximately 7,297 customers.
40. ACSC proposes to distribute the customers' share in the form of a credit distribution of approximately \$119.27 per customer, as set forth further in Exhibit "A". The \$119.27 will be distributed in two bill credits. The first will be in July 2005 in the amount of \$60.00. The second bill credit will be in January 2006 in the amount of \$59.27, plus interest through January 2006. The Company will provide the Staff of the Board and RPA with the calculation of interest earned on the \$59.27 credit in January 2006.

## **V. MISCELLANEOUS**

41. This Stipulation, with the exception of the provisions concerning the Agreement and Waiver Proceeding, shall be binding on the parties on approval of the Board. This Stipulation shall bind the Parties in this matter only and shall have no precedential value.

42. This Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the Parties expressly and jointly state that they would not have signed the agreement has any term been modified in any way. Since the Parties have compromised in numerous areas, each is entitled to certain procedures in the event that any modifications whatsoever are made to this Stipulation.

43. If any modification is made to the terms of this Stipulation, the signatory Parties each must be given the right to be placed in the position it was in before the Stipulation was entered into. It is essential that each Party be given the option, before the implementation of any new rate resulting from any modification of this Stipulation, either to modify its own position to accept the proposed changes, or to resume the proceeding as if no agreement had been reached.



This proceeding would resume at the point where it was terminated which was after evidentiary hearings were completed.

44. The Parties believe that these procedures are fair to all concerned, and therefore, they are made an integral and essential element of this Stipulation.

[SIGNATURES APPEAR ON NEXT PAGE]

ATLANTIC CITY SEWERAGE COMPANY

By: \_\_\_\_\_  
Ira G. Megdal, Esquire  
Stacy A. Mitchell, Esquire

PETER C. HARVEY  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Staff of the NEW JERSEY  
BOARD OF PUBLIC UTILITIES

By: \_\_\_\_\_  
Alex Moreau, Esquire  
Jeff Slutzky, Esquire  
Deputy Attorneys General

SEEMA M. SINGH  
RATEPAYER ADVOCATE

By: \_\_\_\_\_  
Susan E. McClure, Esquire  
Christine M. Juarez, Esquire  
Assistants Deputy Ratepayer Advocate

Dated: February \_\_\_, 2005

## ATLANTIC CITY SEWERAGE COMPANY

By: Ira G. Megdal, Esquire  
Stacy A. Mitchell, EsquirePETER C. HARVEY  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Staff of the NEW JERSEY  
BOARD OF PUBLIC UTILITIES

By: \_\_\_\_\_

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Depury Attorneys GeneralSEEMA M. SINGH  
RATEPAYER ADVOCATEBy: Susan E. McClure, Esquire  
Christine M. Juarez, Esquire  
Assistants Depury Ratepayer Advocate

Dated: February 9, 2005

**ATLANTIC CITY SEWERAGE COMPANY**

By: *Ira G. Megdal*  
Ira G. Megdal, Esquire  
Stacy A. Mitchell, Esquire

**PETER C. HARVEY  
ATTORNEY GENERAL OF NEW JERSEY  
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**SEEMA M. SINGH  
RATEPAYER ADVOCATE**

By: \_\_\_\_\_  
Susan E. McClure, Esquire  
Christine M. Juarez, Esquire  
Assistants Deputy Ratepayer Advocate

**Dated: February 9, 2005**

## **EXHIBIT “A**

**SJTA Condemnation of .97 acre of Huron Ave Property**

Gross Selling Price	<u>Amended Distribution</u>	<u>Invested</u>
Plus: Interest from Superior Court	\$2,775,000.00	\$2,775,000.00
Plus: Interest thru Maturity @ January 16, 2005	\$1,871.35	\$1,871.35
Right of Entry Agreement (Sept 16 thru Dec 31, 2012)	\$17,916.75	\$17,916.75
Total Proceeds	\$101,115.00	\$101,115.00
	\$2,895,903.10	
Less:		
McKirdy & Riskin (Special Counsel)	(\$232,000.87) *	(\$232,000.87)
McKirdy & Riskin (expenses-postage, etc.)	(\$575.58) *	(\$575.58)
CSR court Reporting service.	(\$1,096.50) **	\$2,663,326.65
Appraisal Consultants Corp.	(\$14,700.00) **	
Original Cost of Property	(\$1,300.00) **	
Legal Fees (Company Rate Counsel) Estimate	(\$9,000.00) **	(892,493.00) *** FIT Pymt Sept '04
Total Disbursements	(\$258,672.95)	\$1,770,833.65 January 16, 2005
Net Proceeds before Tax	<u>\$2,637,230.15</u>	
Federal Income Tax @ 34% Pymt made 9/15/04	(\$896,658.25) *** /****	(\$26,096.50) ** Company expenses
		(\$4,165.25) **** Add'l FIT
NET PROCEEDS FOR DISTRIBUTIONS	\$1,740,571.90	\$1,740,571.90
Payout to Ratepayer	\$870,285.95	\$870,285.95
December 31, 2004 Customers	7,297	7,297
<u>Payout on Number of customers:</u>	\$119.27	\$119.27
Payout in July 2005		60.00
Payout in January 2006 (amount will be increased to reflect interest through January 2006)		59.27

Final Maturity

## **EXHIBIT “B”**

Exhibit "B"

**THE ATLANTIC CITY SEWERAGE COMPANY  
2005 PSTAC RATE CALCULATIONS**

	<u>Amount</u>
2005 Annual PSTAC Rate	17.291
2004 PSTAC Rate	<u>16.265</u>
Annual Rate Increase	<u>1.026</u>

**COMPRESSED RATE CALCULATION**

	<u>Amount</u>
Annual Rate Increase	1.026
times Number of Days	<u>365</u>
Weighted Rate Increase	<u>374.490</u>

Weighted Rate Increase	374.490
divided by Number of Days <i>(assume February 23, 2005 Approval)</i>	<u>312</u>
Compressed Rate Increase	<u>1.200</u>

2004 Annual PSTAC Rate	16.265
Compressed Rate Increase	<u>1.200</u>
NEW 2005 PSTAC RATE <i>(assume February 23, 2005 Approval)</i>	<u>17.465</u>



## **EXHIBIT “C”**

**EXHIBIT "C"**

**SCHEDULE OF STIPULATED RATE RELIEF**

**Summary of Revenue Requirement**  
**Adjusted Test Year ended 12/31/04**

	<u>Amount</u>
Total Rate Base after Ratemaking Adjustments	22,565,715
<u>COMPANY ROE 9.75%</u>	<u>7.57%</u>
Required Operating Income	<u>1,708,105</u>
Less: Test year Sewerage Operating Income	<u>(915,991)</u>
Operating Income Deficiency	792,114
Revenue Factor	<u>1.767423</u>
Revenue Increase Requirement	<u>1,400,000</u>
<u>Settlement Amount</u>	<u>1,400,000</u>

	<u>Wgt Cost</u>	
46.1% debt	5.02%	2.314%
<u>53.9% equity</u>	<u>9.75%</u>	<u>5.255%</u>
100.0%		7.569%

## **EXHIBIT “D”**

TARIFF  
FOR  
SEWERAGE SERVICE

Applicable In  
THE CITY OF ATLANTIC CITY  
NEW JERSEY

---

Date of Issue: September 24, 2004  
Issued by: ROBERT FITZGERALD, President  
1200 Atlantic Avenue  
Atlantic City, New Jersey

Effective for Service  
rendered on and after  
February 23, 2005

Filed Pursuant to Decision and Order of the Board of Public Utilities in Docket No.  
WR04091064, O.A.L Docket No. 8974-04, dated February 23, 2005.

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SCHEDULE OF RATES

Annual Rates

Fixed Charge

All customers shall pay the following annual fixed charge, based on the size of the water meter used in the rendering of water service:

<u>Size Of Meter</u>	<u>Total Annual Fixed Charge</u>
5/8" .....	\$164
3/4 .....	286
1 .....	793
1-1/2 .....	1,905
2 .....	3,766
3 .....	9,254
4 .....	18,507
6 .....	46,160
8 .....	92,321
10 or larger .....	147,412

Volumetric Collection Charge

In addition to the annual fixed charge, all customers shall pay \$5.550 for each 1,000 cubic feet of metered water, measured to the nearest one-tenth.

Volumetric Treatment Charge

In addition to the annual fixed charge and the volumetric collection charge, all customers shall pay \$17.465 for each 1,000 cubic feet of metered water, measured to the nearest one-tenth, for sewerage treatment costs assessed the Company by the Atlantic County Utilities Authority.

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## **AN INTRODUCTION TO CUSTOMER**

The approved tariff located in the Company's office is available for your review. The Company is responsible to maintain its tariff with any changes approved by the Board of Public Utilities and must, by State Law and regulations, maintain it in exactly the same format as the Company's tariff on file at the Board of Public Utilities, Two Gateway Center, Newark, NJ. The Division of Water and Wastewater is on the 9th floor.

If, after you review this tariff and discuss it with appropriate Company employees, you still have questions regarding clarification or interpretations, please contact the Board of Public Utilities, Division of Water and Wastewater, Bureau of Rates and Tariff Design at (973) 648-2275 or the Board's Division of Customer Relations at 1-800-624-0241.

You have the right to review this tariff at the Company's offices or at the Board's office in Newark. Your inquiries will be handled by the Board's staff in an expeditious manner in order to protect your rights as well as those of the water and/or sewer Company. Please feel free to exercise this right by telephone or by visiting the Board's offices at any time between the hours of 9:00AM to 5:00PM, Monday through Friday, or by writing a letter. The letter should contain the writer's name, address and phone number-including the area code. If the writer is a customer of record, the account number should be included.

The Company also has available in its office a leaflet entitled "An Overview of Common Customer Complaints and Customer Rights." This is a summary of the most frequent customer complaints and rights; it does not include all customer rights or utility obligations.

The Board of Public Utilities is responsible for the final interpretation and enforcement of a utility's tariff provisions and rates. The utility is bound by New Jersey statutes and the Board's regulations. If a conflict should exist in the tariff that is detrimental to the customer, the Board's regulations supersede the tariff provision absent specific approval to the contrary by the NJ Board of Public Utilities. A utility company may provide for more liberal treatment than that provided for in the Board's regulations.

## **AN OVERVIEW OF COMMON CUSTOMER COMPLAINTS AND CUSTOMER RIGHTS**

- (1) No public utility shall refuse to furnish or supply service to a qualified applicant. (Board Order CX86602155)
- (2) The utility shall not place the name of a second individual on the account of a residential customer unless specifically requested by said second individual. (N.J.A.C. 14: 3-3.2)

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## **DEPOSITS**

(3) If after notice of the methods of establishing credit and being afforded an opportunity, a customer has not established satisfactory credit, the utility may require a deposit. The deposit amount shall be determined by taking the cost of service for one year dividing by twelve and multiplying that figure by 2. EX: 12 months total bills = \$763.54 divided by 12 = \$63.63 multiplied by 2 = \$127.26 deposit, or \$127.

(4) The utility must furnish a receipt to any customer posting a deposit. The deposit will be returned with simple interest at a rate established annually by the Board of Public Utilities. Once the customer has established satisfactory credit with the utility, the deposit shall be returned to the customer with interest due. The customer has the option of receiving the deposit refund either by a check or a credit on the account. If a residential customers deposit is not returned, the utility shall credit the customer's account with the accrued interest once every twelve months. (N.J.A.C. 14:3-7.5)

(5) Where a water or sewer utility furnishes unmetered service, for which payment is received in advance, it may not require a deposit. (N.J.A.C. 14:3-7.6)

## **DEFERRED PAYMENT AGREEMENT**

(6) A customer is entitled to at least one deferred payment plan in one year. In the case of a residential customer who receives more than one utility service from the same utility (ex: Water and sewer; gas and electric) and the amount which is in arrears is a combination of those services, the utility shall offer a separate deferred payment agreement for each service based on the outstanding balance for that service. (N.J.A.C. 14:3-7.13 (d)). The Company MUST re-negotiate the deferred payment agreement should the customers financial situation change significantly. The Company must also issue a new discontinuance notice each time it intends to shut off service, including default on the terms of the agreement. In the case of a residential customer who receives more than one utility service from the same utility and has subsequently entered into an agreement for each separate service, default on one such payment agreement shall constitute grounds for discontinuance of only that service. (N.J.A.C. 14:3-7.13 (d))

(7) A water and sewer utility shall not discontinue service because of nonpayment of bills in cases where a charge is in dispute provided the undisputed charges are paid and a request is made to the Board within five (5) days for investigation of the disputed charge. The Company must advise the customer of their right to appeal to the Board of Public Utilities. N.J.A.C 14:3-7.13(a))

(8) A customer has at least fifteen (15) days to pay a bill. A water and/or sewer utility may not discontinue water and sewer service unless written notice giving the customer at least 10 (10) days notice prior to the proposed discontinuance. The notice shall not be given until after the

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1200 Atlantic Avenue  
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expiration of the said fifteen (15) day time to pay a bill. (N.J.A.C. 14:3-7.12(a)). The notice shall contain sufficient information for the customer to notify the Board of Public Utilities of the nature of the dispute. The utility shall make a good faith effort to determine which of its residential customers are over 65 years of age, and shall make good faith efforts to notify such customers of discontinuance of service by telephone in addition to notice by regular mail. This effort may consist of an appropriate inquiry set forth on the notice informing customers that they may designate a third party to receive notice of discontinuance. Utilities shall annually notify all residential customers that, upon request, notice of discontinuance of service will be sent to a designated third party as well as to the customer of record. (N.J.A.C. 14:3-7.12)

(9) Public utilities shall not discontinue residential service except between the hours of 8:00AM and 4:00PM Monday through Thursday, unless there is a safety related emergency. There shall be no involuntary termination of service on Fridays, Saturdays, and Sundays or on the day before a holiday or on a holiday absent such emergency.

(10) The occupant of a multiple family dwelling has the right to be notified of a pending service discontinuance at least fifteen (15) days prior to the service being discontinued.

(11) A customer has the right to have any complaint against the utility handled promptly by that utility. Board Order, (Docket Number CO8602155).

(12) Each utility shall, upon request., furnish its customers with such information as is reasonable in order that the customers may obtain safe, adequate and proper service. (N.J.A.C. 14:3-3.3(a)). Each utility shall inform its customers, where peculiar or unusual circumstances prevail, as to the conditions under which sufficient and satisfactory service may be secured from its system. (N.J.A.C. 14:3-3.1(b)). Each utility shall supply its customers with information on the furnishing and performance of service in a manner that tends to conserve energy resources and preserve the quality of the environment. (N.J.A.C. 14:3-3.3(d))

### METERS

(13) The utility must provide for one free meter test within a year if the customer so requests it. The customer can request that the Company or the Board may test the meter. A meter of a customer who has a complaint filed with the Board reflecting on the accuracy of the meter shall not be removed from service by the utility during the pendency of said complaint or during the following thirty (30) days unless otherwise authorized or directed by the Board. (N.J.A.C. 14:3-4.10 (b)). When a billing dispute is known to exist, the electric, gas or water utility shall, prior to removing the meter, advise the customer that they may have the meter tested by the utility or may have the Board either conduct a test of the meter or witness a testing of the meter by the utility, and that in any event the customer may have the test witnessed by a third party. (N.J.A.C. 14:3-4.5 (c)). A meter test arising from a billing dispute may be appropriate in instances which include, but not limited to, unexplained increased consumption, crossed meters, consumption

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Date of Issue: September 24, 2004

Issued by: ROBERT FITZGERALD, President  
1200 Atlantic Avenue  
Atlantic City, New Jersey

Effective for Service  
rendered on and after  
February 23, 2005

Filed Pursuant to Decision and Order of the Board of Public Utilities in Docket No. WR04091064, O.A.L Docket No. 8974-04, dated February 23, 2005.

while an account is vacant or any other instance where the meters accuracy might be an issue in a bill dispute. (N.J.A.C. 14:3-4.5 (d))

(14) Whenever a water meter is found to registering fast by more than one and one-half percent, an adjustment of charges shall be made in accordance with the following: (1) if the date when the meter had first become inaccurate can be ascertained then the adjustment shall be such percentage as the meter is found to be in error at the time of test adjusted to 100 percent on the amount of the bills covering the entire period that the meter has registered inaccurately. (2) In all other cases the adjustment shall be such percentage as the meter is found to be in error at the time of the test on one-half of the total amount of the billing affected by the fast meter adjusted to 100 percent since the previous test. No adjustment shall be made for a period greater than the time during which the customer has received service through that meter. No adjustment shall be made for a meter that is found to be registering less than 100 percent except in the case of meter tampering, non-registering meters or in circumstance. in which the customer should reasonably have known that his bill did not reflect his usage. (N.J.A.C. 14:3-4.7)

(15) A utility must maintain records of customers' accounts for each billing period occurring within a six (6) year period. Such records shall contain all information necessary to permit computation of the bill. (N.J.A.C. 14:3-7.8)

(16) Bills rendered must contain the following information: (a) The meter readings at the beginning and end of the billing period; (b) The dates on which the meter is read; (c) The number and kind of units measured; (d) Identification of applicable rate schedule or a statement that the applicable rate schedule will be furnished on request; (e) The amount of the bill; (f) A distinctive marking to indicate an estimated, averaged or a remote meter index, (g) An explanation or statement of any conversion from meter reading to billing units or any other calculations or factors used in determining the bill; and (h) The gross receipts and franchise tax statement. (N.J.A.C. 14:3-7.9)

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## **EXHIBIT E”**

## THE ATLANTIC CITY SEWERAGE COMPANY

APPLICATION OF SETTLEMENT RATES TO PRO FORMA METER BILLING UNITS AND WATER VOLUME  
AS OF DECEMBER 31, 2004

(1)	(2)	Annual Fixed Charge (3)	Fixed Charge Revenues (4)=(2)x(3)	Water Volume, (MCF) (5)	Volumetric Charge @ \$22.841 Per MCF* (6)	(7)=(4)+(6)	Total Present Annual Revenues (8)	Settlement Increase	
								(9)	(10)
5/8	4,882	\$ 164	\$ 800,648	52,441.2	\$ 1,197,809	\$ 1,998,457	\$ 1,828,331	\$ 170,126	9.3%
3/4	1,392	286	398,112	24,800.3	566,464	964,576	883,985	80,591	9.1%
1	493	793	390,949	27,454.2	627,081	1,018,030	932,027	86,003	9.2%
1-1/2	137	1,905	260,985	16,272.3	371,676	632,661	579,554	53,107	9.2%
2	188	3,766	708,008	32,203.7	735,565	1,443,573	1,325,067	118,506	8.9%
3	52	9,254	481,208	22,969.4	524,644	1,005,852	922,988	82,864	9.0%
4	45	18,507	832,815	62,655.0	1,431,103	2,263,918	2,071,836	192,082	9.3%
6	39	46,160	1,800,240	192,646.3	4,400,234	6,200,474	5,663,575	536,899	9.5%
8	1	92,321	92,321	13,008.6	297,129	389,450	355,260	34,190	9.6%
10	1	147,412	147,412	17,000.0	388,297	535,709	489,138	46,571	9.5%
Rounding								(939)	
Total	7,230	**	\$ 5,912,698	461,451.0	\$ 10,540,002	\$ 16,452,700	\$ 15,051,761	\$ 1,400,000	9.3%

\* Includes Collection Charge of \$ 5,550  
and Treatment Charge of 17,291  
\$ 22,841

\*\* Represents 7,297 customer

## **EXHIBIT F”**

## **RIGHT OF ENTRY, ACCESS, AND HOLD HARMLESS AGREEMENT**

**THIS AGREEMENT**, made this      day of October, 2002 by and between:

**THE SOUTH JERSEY TRANSPORTATION AUTHORITY**, having its principal offices at Farley Service Plaza, Elwood, New Jersey 08217 (hereinafter referred to as the "SJTA");

and

**ATLANTIC CITY SEWERAGE COMPANY**, a New Jersey corporation, with offices at 1200 Atlantic Avenue, Suite 300, P.O. Box 1830, Atlantic City, New Jersey, 08404 (hereinafter referred to as "ACSC").

### **WITNESSETH:**

**WHEREAS**, ACSC is the owner of certain real property and improvements in the City of Atlantic City, County of Atlantic, State of New Jersey located within the proposed site of the Huron Avenue U-Turn Project, which property is known and designated as Block 500, Lot 1; and

**WHEREAS**, SJTA has proposed to acquire from ACSC certain fee area and temporary construction easements on a portion of Block 500, Lot 1, otherwise known and delineated as Parcel 1 consisting of a fee taking area of 42,253 square feet together with a temporary construction easement of 18,513 square feet as shown on a certain map dated June 19, 2002 entitled "U-Turn Ramp over Huron Avenue", (the above acquisition areas hereinafter referred to as the "Premises"); and

**WHEREAS**, SJTA has previously rendered to ACSC a written offer proposing to provide just compensation to ACSC for SJTA's acquisition of the Premises and for the damages to the remaining property owned by ACSC, which offer dated August 30, 2002; and

WHEREAS, ACSC has agreed to allow SJTA a right of entry onto the subject property owned by ACSC Realty Inc. in advance of acquisition and payment of compensation for purposes of commencing construction of the Huron Avenue U-turn Project in exchange for the covenants set forth in this Agreement; and

NOW, THEREFORE, in recognition of the promises and other consideration herein exchanged, the parties agree as follows:

**1. RIGHT OF ENTRY/ACCESS/INDEMNIFICATION:**

a) ACSC hereby grants a right of entry to SJTA, its agents, employees, contractors and other necessary personnel, upon, over, across, and under the Premises for the purposes of allowing SJTA to construct the Huron Avenue U-Turn Project as depicted on SJTA's construction drawings, provided that SJTA will be, subject to the provisions of the New Jersey Tort Claims Act (*N.J.S.A. 59:1-1, et seq.*), responsible for personal injuries and property damages caused by the negligent actions of SJTA and its employees, agents, employees, contractors and other personnel occurring in connection with its entry upon on the Premises pursuant to the provisions hereof. SJTA further agrees that its contractors and other personnel shall have full liability insurance with respect to the proposed construction on the Premises. A copy of the insurance policy of the contractors shall be provided to ACSC simultaneously with the execution of the within agreement. Notwithstanding anything herein seemingly to the contrary, SJTA's contractors will be fully and completely responsible for personal injuries and property damages resulting from their negligent actions.

b) ACSC shall refrain from entry upon the remaining portion of Block 500 Lot 1 through the area of temporary construction easement during the period of construction.

c) ACSC, its tenants and assigns, shall, at all times, through and subsequent to the completion of construction, have and retain access to all portions of Block 500, Lot 1, including, without limitation, access through the existing curb cuts on Huron Avenue constructed as part of the Atlantic City - Brigantine Connector Project and have full and complete access and shall enjoy the continued free flow of motor vehicle and pedestrian traffic over and upon all portions of the remainder of Block 500 Lot 1.

d) The parties agree that the rights granted to SJTA by ACSC by the within Agreement does not constitute a conveyance of any part of Block 500 Lot 1, but grants SJTA only the right of entry provided above.

e) SJTA shall pay to ACSC rental for the use of the premises as follows: The sum of \$945.00 per day commencing September 16, 2002 until the earlier of the date of settlement on all issues relating to compensation for the proposed acquisition or the date of the commencement of eminent domain proceedings. In the event that SJTA completes construction and vacates the temporary construction easement at an earlier date, rent shall be reduced as of such date to the amount of \$657.00 for subsequent days. If SJTA and ACSC are unable to reach a settlement on all issues relating to compensation by January 1, 2003, any and all rents thereafter paid to ACSC shall be credited to the final compensation determined to be due to ACSC for the property and rights acquired by virtue of the within acquisition.

## **2. AUTHORIZATION/APPROVALS:**

SJTA represents that it will secure all required approvals and permits that may be necessary in this matter prior to commencing construction. SJTA represents that the City of Atlantic City has no jurisdiction over the proposed construction and SJTA agrees to provide ACSC with any documentation required by the City of Atlantic City with respect to SJTA's jurisdiction to perform said construction.

## **3. NON-INTERFERENCE WITH SEWERAGE UTILITIES:**

SJTA represents that it is fully familiar with the location of ACSC utilities within the area of Block 500 Lot 1 and that SJTA's proposed construction will not interfere with nor cause to be disturbed any part of ACSC's utilities in said area.

## **4. PARTICIPATION IN BONA FIDE NEGOTIATIONS**

SJTA agrees to continue to participate with ACSC in the process of bona fide negotiations as contemplated by N.J.S.A.20:3-6 in an effort to amicably resolve the issue of compensation as to all issues. In the event of the institution of condemnation proceedings the date of value shall be the date of the filing of the complaint pursuant to N.J.S.A.20:3-30.



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